

# What Rod Sims' embrace of energy superpower idea means for Australia

The shift to clean energy seems to be accelerating on virtually every front. Business should give Sims and Garnaut a hearing.

**Ben Potter** | 19 Apr 2023 | AFR

At the heart of Ross Garnaut's campaign for Australia to shed the baggage of the climate policy wars and become a clean energy superpower is a full-frontal challenge to the Australian government and industry consensus on the pace of the historic shift.

Most industry and governments assume the transition should proceed at a measured pace, to allow Australia's industries – which typically strive to be early followers of new innovations invented overseas, rather than pioneers – to keep up.



Rod Sims and Ross Garnaut have joined forces to promote the idea of Australia as a clean energy superpower.

Garnaut – and [Rod Sims, the former top competition regulator who has joined the campaign as chairman of Garnaut's new Superpower Institute](#) – argue this approach will result in them being left stranded by accelerating global progress towards low-carbon and zero-carbon industries, from steel to chemicals.

Instead, the veteran policymakers say Australian governments and industries should waste no time adopting new technologies that are ready for commercial deployment – in green iron, aluminium, urea for fertilisers and nitrogen-based explosives – because the potential dividends are enormous.

Put simply, they argue Australia should use its vast abundance of cheap, clean energy resources, electrification metals and minerals, and land for growing biomass – such as durable mallee trees – to produce and export these commodities on a vast scale.

They further argue that by doing so we can decarbonise 8 per cent of global carbon emissions – not just our domestic emissions of just over 1 per cent – and reap an economic bonanza larger than the legendary Hawke-Keating economic reforms of the 1980s and 1990s and the China boom of the 2000s.

It's a controversial idea. Hoped-for resources booms touted by the Whitlam and Fraser governments came to nought in the 1970 and 1980s. Hopes for rapid electrification of everything – the power grid, transport, home heating and cooling, and light industry – keep bumping into real concerns that supplies of critical minerals such as lithium, nickel, cobalt and copper will not be able to keep pace with demand for batteries.

Industries from gas to steel and cement-making fret that the new green processing technologies that the superpower crusaders tout are not really ready for commercial deployment, at least not without risk. On the flip side, they also fret that large investments in tried and true technologies – such as new gas projects, or existing steelmaking techniques – could be stranded if governments force a faster pace of transition.

### **Dilemma**

BlueScope Steel has faced just this dilemma. Its ageing blast furnace at Port Kembla badly needed relining – a \$1 billion investment – using traditional technology. It is going ahead with that investment, arguing green steel technology won't be commercial until the 2040s, but frets that climate policy measures – such as the overdue tightening of the safeguard mechanism to give it some teeth – [could jeopardise it](#).

It has also invested in a small project in partnership with iron ore giant Rio Tinto to develop “greener” steel using direct reduction of iron ore from Rio Tinto's Pilbara mines in Western Australia powered by green hydrogen made from renewable electricity.

The gas producers face a similar dilemma. Woodside Energy and Santos are pursuing new developments, which they and the government say will be required because existing supplies such as those from the historically prodigious wells of Bass Strait are running out steadily.

However, they face strenuous opposition to get planning and environmental approvals and increased imposts from a review of the Petroleum Resource Rent Tax (PRRT) and the tightening of the safeguard mechanism to make it work as it was designed – as an effective cap-and-trade carbon pricing scheme.

Tim Buckley, director of Climate Energy Finance, estimates Woodside and its Scarborough and Browse LNG project partners face a safeguard mechanism carbon bill of \$63 billion out to 2050 if they go ahead.

Santos is promoting carbon capture and storage to offset its growing carbon emissions and trim its safeguard mechanism bill. Woodside is pursuing hydrogen projects in Australia and the United States to provide its “bridge to the future”.

These look like steps in the right direction, but CCS has a poor record in Australia thanks to Chevron's floundering Gorgon CCS project, and the companies are feeling the heat over plans to expand gas production through the energy transition and use CCS and offsets to reduce their carbon footprints.



*Former ACCC boss Rod Sims has joined Ross Garnaut's new Superpower Institute. **Dominic Lorrimer***

Woodside CEO Meg O'Neill complained about the multiple pressures the company faces from government policies and activist shareholders criticising its hydrogen efforts as too little too late [in her National Press Club address on Wednesday](#). Santos CEO Kevin Gallagher complained two weeks ago at the company's annual meeting – as directors faced a barrage of criticism for expanding gas production – that [a tighter safeguard mechanism would hurt its Barossa liquefied natural gas project north of Darwin and scare off Asian customers](#).

If Garnaut and Sims are correct, the gas companies, BlueScope and many others will face a shrinking market if they proceed in this measured way, as green alternatives are commercially deployed faster than expected.

Garnaut has been pursuing his superpower idea for many years, [publishing his first book on it in 2019](#). Yet despite a shift to greater acceptance of the inevitability of the clean energy transition in Australia, the idea remains controversial. After all, large ASX companies such as Woodside, Santos and BlueScope have competent boards and experienced executives. "So what do Sims and Garnaut know that these directors don't?" many trusting ordinary shareholders might ask.

It might be better to ask: "What does it mean when two of Australia's most experienced policymakers and economists – each with over four decades of experience at the highest levels of government and industry – are campaigning for an idea that once seemed revolutionary but increasingly looks as if it might just become mainstream?"

Sims succeeded Garnaut as chief economics adviser to prime minister Bob Hawke – whose government is credited with Australia's greatest era of post-war economic reform – in the 1980s. To implement those reforms they and their political masters had to overcome a cacophony of protests from vested interests ranging from major companies and banks to pensioners and manufacturing workers. It is easy to forget how vociferous those debates were. Tariff reform – now taken for granted – took 30 years, Sims recalls. You have to till the soil of reform over many years.

Incumbent industrialists are in a tricky position. They are threatened by disruptive technological change, but they don't want to believe that things will change quickly enough to threaten their business.

The vast majority – Andrew Forrest is one conspicuous exception – have their expectations of the future shaped by their experience of the recent past. No large ASX company believes it is going to become the Kodak or EMI Records of climate change. They believe they can transition at a measured pace because the obstacles and risks facing their disruptive challengers are too great for them to succeed.

Looking at the massive and daunting size of the task of making Australia a clean energy superpower, it might be tempting to believe the incumbents. Yet Garnaut and Sims have a track record of anticipating vital economic changes in the 1980s, and Garnaut's work on climate change in the 2000s was daring and prescient in a country heavily dependent on fossil fuels.

The shift to clean energy seems to be accelerating on virtually every front, the effects of Russia's invasion of Ukraine notwithstanding. Business should give Sims and Garnaut a hearing.

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